

ARIZONA BINGO REVIEW



Governor	Janet Napolitano
Director	Gale Garriott
Deputy Director	Kristine Ward
Assistant Director—	
Audit Division	Vincent G. Perez
Internet Address	www.azdor.gov
Email Address	bingo@azdor.gov
Phoenix Office	1600 West Monroe Phoenix AZ 85007 Phone 602-716-7801 (Fax 602-364-0086)
Bingo Section Administrator	Steve Doyle SDoyle@azdor.gov
Investigator	Nicole Seaton NSeaton@azdor.gov Linda Nabavi LNabavi@azdor.gov
Administrative Assistant	Lupe Bejarano LBejarano@azdor.gov

IRS PHONE FORUM PROGRAM: GAMING AND EXEMPT ORGANIZATIONS

The IRS invites tax professionals and representatives of tax-exempt organizations to participate in a phone forum on "Gaming and Exempt Organizations." The presentation will be offered on: May 23, 2007, at 10:00 a.m. EDST and repeated on May 24, 2007, at 1:00 p.m. EDST.

The 60 minute forums will cover the following areas: impact of gaming on tax-exempt status; internal controls and recordkeeping; return filing requirements; unrelated business income; and payments to individuals.

The forums are being offered at no charge to participants, although space is limited and will be reserved on a first-come, first-served basis. Organizations with multiple representatives interested in participating are encouraged to

call in as a group, rather than individually.

To attend, organizations should pre-register via AT&T Teleconference Services using the link provided on the Exempt Organizations Calendar of Events page (see below). Participants who have not previously used the AT&T Teleconference Service will need to create a user profile, including username and password, in order to register. The IRS will send additional information on the phone forum via the registrant's email address. The IRS will also offer an opportunity for those registrants to provide feedback after the event.

For more information and to register online, please go to the EO Calendar of Events page (www.irs.gov, then select Charities and Nonprofits).

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ELECTRONIC GAMES

The use of electronic bingo games is allowed in Arizona so long as licensees comply with the following applicable statutes:

- A.R.S. § 5-406.E. "A game of bingo shall not be conducted with any equipment except equipment owned solely by the licensee, or jointly by not more than six licensees. No portion of the ownership of such equipment may be held by any person or organization not licensed pursuant to this chapter. A game of bingo shall not be conducted with rented equipment".
- A.R.S. § 5-406.F. "An applicant or a licensee shall not enter into any purchase agreement other than a bona fide purchase agreement. The seller may repurchase equipment only upon default of the buyer and then only at a

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Electronic Games

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price equal to or greater than ninety per cent of any money paid for equipment from buyer to seller".

- A.R.S. § 5-407.G. "Expenses shall not be incurred or paid in connection with holding, operating or conducting any game of bingo pursuant to any license, except bona fide expenses of a reasonable amount".

The distributors of handheld and other electronic bingo games typically have a two-tiered pricing structure. First, there is one-time cost for purchase of the physical hardware—i.e., the actual game itself. The second component is a monthly charge covering recurring costs such as maintenance of the hardware and licensing of the software that runs the electronic games.

Because the prices charged by distributors can vary considerably, licensees may want to compare the costs of various vendors in order to make efficient use of their organization's funds. These comparisons will also help licensees to comply with A.R.S. § 5-407.G by providing knowledge of what is a "reasonable amount" for the purchase of their electronic games and services.

MINIMUM AGE TO PLAY BINGO

We frequently get questions about how old a person must be to play bingo. The law requires players to be at least 18 years of age. Although minors may not play bingo games, they may be on the premises in the company of an adult unless the licensee has a house rule prohibiting it.

BINGO REVENUE INCREASING

For the fiscal year 2006 the Department of Revenue experienced a 2% year-over-year increase in bingo taxes, fees, interest and penalties. Although there were relatively small changes in all categories, most of the increase resulted from higher taxes paid by Class C licenses. Overall the statistics indicate that bingo is healthy among the state's 672 licensees and showing recovery from the declines in business that were recorded in the two previous years.

BENEFITS OF INVESTIGATIONS

An obvious benefit of our investigations is that violations of bingo regulations are discovered and corrected.

But there can be other benefits as well. For example, the questionable behavior of a bingo officer may come to the attention of the licensee's leadership, and they in turn may choose to take corrective actions of their own. This was in fact the case during one of our recent investigations when, for the good of its members, a licensee's Board of Directors impeached one of its officers and banned that individual from membership in their organization.

WEBSITE REMINDER

To find us on the internet go to www.azdor.gov. Click first on the Business link and then on the alphabetical listing for Bingo. In addition to this newsletter you'll find postings of our forms, bingo statutes and rules, registration packets and other helpful information.

REQUIRED POSTINGS

All licensees are required to post the following information on their premises during every bingo occasion:

1. Their bingo license (A.R.S. § 5-405).
2. A notice of charges for admissions and cards (R15-7-218).
3. A description of the nature and dollar amount of each prize (R15-7-219).
4. A notice that the statutes and rules governing bingo are available upon request for inspection by any player (R15-7-221).
5. A statement of the place, day and time when the licensee's bingo games are held (A.R.S. § 5-405).

CLASS A EXPENSES TAXABLE

Class A licensees are taxed on their adjusted gross receipts, which is the amount of gross receipts less prizes. Accordingly, if all receipts are paid out to players as prizes, there is no tax due. However, to the extent gross receipts are used to pay for expenses such as bingo cards, supplies and renewal of your annual license, those amounts are subject to tax.

PULL-TABS ARE PROHIBITED

We periodically receive calls from licensees asking whether it's legal for them to sell pull-tabs. The answer is categorically no. Pull-tabs are considered gambling under A.R.S. § 13-3301 (2) and their sale is therefore prohibited during bingo occasions. Under A.R.S. § 13-3303 anyone who knowingly conducts, organizes, manages, directs, supervises or finances illegal gambling is committing a class 5 felony, which carries a prison sentence of up to 2 years.

SUPERVISOR RESPONSIBILITIES

We occasionally hear about supervisors not performing their mandated duties. As a reminder, bingo statutes and rules require supervisors to do the following.

- Verify that all bingo equipment to be used during the occasion is in sound working condition prior to the beginning of the games (R15-7-207-A1).
- In the presence of one or more players, verify that all bingo balls are present and furthermore that there are no duplications (R15-7-207- A3).
- Ensure that the nightly verification report is complete and accurate (R15-7-225).
- Be continuously present during the entire bingo occasion and until all associated activities have been completed (A.R.S. § 5-404 F).

CONSIDER POSTING THIS NEWSLETTER

To control costs we mail only one newsletter to each licensee. But we often hear from players that they'd enjoy reading our articles. So for those who don't have internet access, you might want to post this newsletter with your required information or otherwise make it available to your members.

ERROREOUSLY CALLED NUMBERS

If a bingo worker misspeaks and announces a number incorrectly, any bingo that might be called as a result of that error is invalid and no prize can be awarded on it.

UPDATED PHONE NUMBERS

When writing our office to update your records, please take the time to give us current phone numbers for your managers and proceeds coordinators, because these are the individuals we most often need to contact.

- Be primarily responsible for the conduct of your bingo games, including the supervision of all activities and the making of any report required by the department (A.R.S. § 5-401.29).
- Upon request from a player, be present for a verification of all numbers drawn at the time a winner is determined, and for a verification of the objects or balls remaining in the receptacle but not yet drawn (A.R.S. § 5-406 U).
- Sign all check prizes that have not been signed by some other officer on the license (A.R.S. § 5-407 D).

Failure to adequately supervise a bingo occasion may be cause to suspend the licensee's bingo license.

BINGO STAFF

Our Bingo staff currently consists of two Bingo Investigators and one Administrative Assistant. Nicole Seaton and Linda Nabavi are our two Investigators. Nicole came to us from the Department of Economic Security where she held investigative positions for six years. Linda's background notably included fraud investigations with a major national bank. Lupe Bejarano is our Administrative Assistant. Lupe has been with the Bingo Section for 13 years and is our first point of contact on the phones and through the mail.

The Tucson Bingo Office closed May 31, 2006. Please make sure to send all correspondence and reports to the Phoenix Office (address on first page).